



Public Power Council

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15 June 2004

VIA E-MAIL

Christine Elliott
Grid West
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Re: PPC's Comments on the Draft Operational Bylaws for Grid West, dated June 9, 2004.

Dear Ms. Elliott:

At the RRG meeting on 11 June, the Regional Representatives Group asked for comments on its draft "operational bylaws" for the Grid West (the bylaws). PPC appreciates the opportunity to comment.

1. As an initial matter, PPC is constrained to point out that the proposal continues to fail PPC's objective for regional control of key policy decisions. The need to develop regional solutions to regional problems dictates the need for the region to make policy decisions, particularly those that drive costs for the independent entity. One of the purposes of the last year's exercise was to let the region make the policy, not FERC. There is no compelling reason to abandon that purpose at this point, yet that is what the proposal contemplates. Were Grid West to become subject to FERC's jurisdiction, FERC would have the authority to order Grid West to perform functions not included in initial, or subsequent, Grid West tariff. To help provide a brake on FERC actions and retain regional control of policy, the bylaws should provide, at a minimum, for a binding Members Representative Committee (MRC) veto on the special issues, not just one time but each time those issues are implicated by a proposal. PPC suggests that section 7.16 of the current draft of the bylaws be revised to provide this.

2. Section 7.16 also should be revised to make clear that any FERC order to change the tariff, TOA, bylaws or any other document that implicates any of the special issues constitutes a proposal of the Board if the Board acts to implement it.

3. PPC also supports inclusion of a binding vote of the Members to approve the annual Grid West budget. One of the critical issues is how to control Grid West costs. Providing brakes on the ability of the corporation to accrete, expand and change its functions is a key component of cost control. Permitting the Members to vote directly on the budget is another avenue to provide regional control.

4. PPC agrees with BPA that the corporation's purposes in section 3.1 should include a statement of regional accountability. Regional accountability is a fundamental theme of this endeavor and it should be made more express.

5. In 3.2(b) the bylaws would permit Grid West to own an interest in generation facilities or output "appropriate to meet its obligations with respect to congestion management and as a provider of last resort for ancillary services and balancing energy within a control area that it operates" Bylaws, p.

7. It is unclear that Grid West should ever take title to any power, even as the provider of last resort. Doing so potentially exposes Grid West customers to additional costs. Moreover, it is unnecessary that Grid West own generation or output. If Grid West operates a congestion management market or is the provider of last resort, it can fulfill these functions without taking title to power or incurring obligations in its own right. The parenthetical should be removed.

6. Section 7.12.2 should provide a stronger standard of care for Trustees. The bylaws should require Trustees to do more than "take into account the following considerations." A more appropriate obligation might be to require the Board to "demonstrate satisfaction of the following considerations before taking action on a proposal."

7. PPC supports provision of a binding Member vote to dissolve the corporation in the event FERC orders changes, to or fails to approve, the bylaws' governance provisions. Section 12.4. PPC does not see a compelling reason to limit this provision to the first twenty-four months of operations. If, after that time, governance remains an important issue, the Members should be entitled to vote on proposed changes; if it is not important, the vote should not be contentious.

8. PPC suggests that the ability of Members to vote to dissolve the corporation in section 12.4 should also be triggered by FERC orders that propose changes to fundamental aspects of Grid West's functions, markets, rates, rate design or other matters that significantly impact costs. While governance is a critical component of this proposal, governance is critical because it is the allocation of the authority to impose costs and shift costs among market participants. FERC-proposed changes to the functions, markets,

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rates, rate design and similarly fundamental matters should also trigger the Members' right to dissolve the corporation.

Thank you for the opportunity to comment on the draft bylaws.

Sincerely,

/s/

Nancy Baker
Senior Policy Analyst